JANUARY 1954

Mortgage Banker

in this issue

Years ahead!

Tomorrow's comfort today—protects the value of the homes you mortgage

Mueller Climatrol

NEW COMPANION UNITS

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Again, Mueller Climatrol quality helps safeguard your loans to builders and home owners. For now, with the new Mueller Climatrol companion units, they can install both heating and cooling in their homes. The houses have extra value today, extra resale value tomorrow.

These new Mueller Climatrol companion units provide the advantages of new Mueller Climatrol engineering — new efficiency . . . new attractive styling . . . new, handsome, Mountain Spring Green finish.

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MBA Calendar

January 26-28, 1954, Senior Executives Course, New York University, New York.

February 25-26, 1954, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

March 12-13, 1954, Southern Mortgage Clinic, Hotel Roosevelt, New Orleans.

April 12-13, 1954, Eastern Mortgage Conference, Hotel Commodore, New York.

April 16-17, 1954, Western Mortgage Clinic, Brown Palace Hotel, Denver.

April 19, 1954, Board of Governors Spring Meeting, Broadmoor Hotel, Colorado Springs.

April 23-24, 1954, Southwestern Mortgage Clinic, Paradise and Jokake Inns, Phoenix.

June 13-18, 1954, School of Mortgage Banking, Course I, Northwestern University, Chicago.

June 20-25, 1954, School of Mortgage Banking, Course II, Northwestern University, Chicago.

August 22-27, 1954, School of Mortgage Banking, Course I, Stanford University, Stanford, California.

September 27-30—41st Annual Convention, Conrad Hilton Hotel, Chicago.

THIS MONTH'S COVER

It's aimed at focusing your attention on MBA's first 1954 event, the unique and valuable excursion into the basic economic trends which set the pace for the kind of business you will do tomorrow. There's more about this MBA-NYU senior officers course elsewhere in this issue. Here is an experience every member ought to have at least once, and the 1954 meeting is especially timely.

The Mortgage Banker

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Volume 14 **JANUARY, 1954** **Number 4**

Contents

The 1954 P & H Pioneer Home — 4 bedrooms, $1\frac{1}{2}$ baths, more than 1,100 sq. ft. Hip and gable roof designs are also available, as are 2 and 3 bedroom homes with or without basements.

Shorter Loan Commitments

...P & H Homes are Completed Faster

More and more investors are finding P & H Homes, and their builders, ideal investments in today's constantly-changing mortgage market. Because P & H Homes are completed faster—a home can be under roof in a day—commitments for loan purchases are shorter. And because of their uniformly high standard of construction and material, P & H Homes have maintained a high level of resale value.

P & H Home packages are available to builders in economy and built-up luxury models. Completed, the 2, 3 and 4 bedroom P & H Homes sell in the $6,000 to $20,000 range. Thus, a wide range of sound mortgage investments is opened —mortgages that can be acquired and serviced with a minimum of overhead.

Tap this source of sound mortgages now. Write for information about P & H home building in your area.

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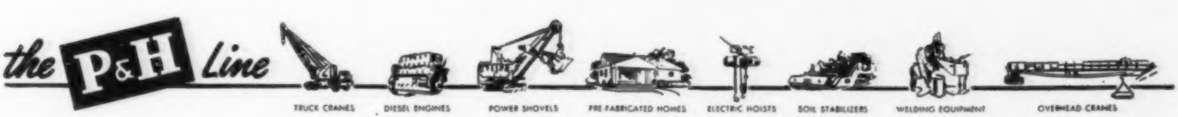

INVEST WITH CONFIDENCE

Loans on MODERN HOMES are desirable because home owners, builders and investors all benefit from the advantages of superior quality and styling combined with efficient mass production manufacturing techniques.

For example, the quality of every MODERN HOME, whether it is located in Columbus, Albany or Cedar Rapids, is the finest because every home is skillfully mass produced in modern factories by conventional methods from high quality, nationally advertised materials.

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Quality plus quantity provides a better home that sells for less. That is the secret of MODERN HOMES and that is the reason why MODERN HOMES provide lending institutions with a reliable source of sound mortgage investments.

Write today for literature concerning MODERN HOMES and information about this dependable supply of desirable, long-term investments.

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MODERN homes corp.

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Out of the Dark, a Red Grenade

IT WAS AN APRIL NIGHT and the Marines, near Panmunjom, were under heavy attack. In one of E Company's machine gun emplacements, Corporal Duane Dewey and his assistant gunner lay on the ground, wounded. A Navy Medical corpsman was giving them aid.

Out of the darkness, and into the group, lobbed a live Red grenade. Although he was already seriously wounded, and in intense pain, Corporal Dewey pulled the aid man to the ground, shouted a warning to the other Marine and threw himself over the missile.

"I've got it in my hip pocket, Doc!" he yelled. Then it exploded. By smothering the blast with his own body, Corporal Dewey had saved his comrades' lives.

"Now that I'm back in civilian life," says Corporal Dewey, "I sometimes hear people talk as though stopping Communism is a job only for our armed forces and the government. Believe me, it's a job for you and me, too. And one way we can both do that job is to make our country stronger by *making our own families more secure*—through saving and investing in United States Defense Bonds. Bonds are real protection—for my money!"

★ ★ ★

Now E Bonds pay 3%! Now, improved Series E Bonds start paying interest after 6 months. And average 3% interest, compounded semiannually when held to maturity. Also, all *maturing* E Bonds automatically *go on* earning—at the new rate—for 10 *more* years. Today, start investing in U. S. Series E Defense Bonds through the Payroll Savings Plan; you can sign up to save as little as $2.00 a payday if you wish.

Corporal
Duane Edgar Dewey, USMCR
Medal of Honor

Peace is for the strong! For peace *and prosperity* save with U.S. Defense Bonds!

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opens up tremendous new market for investors!

The new National "CADET" is a **complete** home, ready to live in, and selling at an incredibly low price. Quality and spaciousness are assured by National's huge buying power and unique streamlined methods. These houses are eligible for financing under FHA Title 1 Sec. 8, with its favorable yield. Write for complete details of this amazing new home, which opens up a hitherto untapped source of sound, long-range investments.

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Visit Our Display... Spaces 114-115... Conrad Hilton

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NATIONAL HOMES CORPORATION
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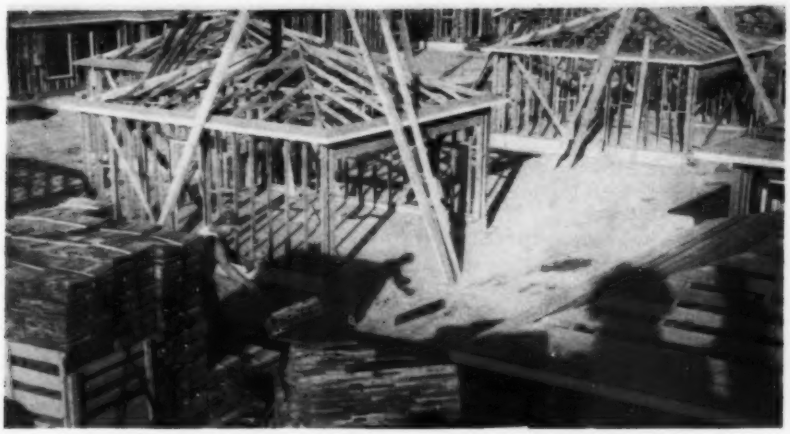


1954 LOOKS LIKE A GOOD YEAR

By MILES L. COLEAN

CAN we have another good year of housebuilding? Is there still enough demand to support builders and lenders in about the same manner as they have been accustomed?

During recent months these questions have been so clouded by the confusions of the money market that little attention has been paid to them. But with fairly bright signs of easier money conditions, they take on new importance, and we are beginning even to hear them expressed in a new form: *will there be enough new building to soak up all the funds that may be available?*

I have assumed there would be some falling off of business generally in 1954 and that unemployment would rise. I have taken it for granted that there would be fewer marriages and fewer new households in 1954 than in 1953. I have looked for evidences of saturated markets. I have also looked back over the long years of prosperity and wondered how long we could escape the law of averages.

Having done all this, I still have confidence that 1954 will not be a bad year for mortgage bankers and builders. Whether you will actually call it a good year depends on your way of defining it. But I should say that a year that holds out the possibility of another million new houses and very good assurance of a minimum not under 900,000 is apt to be a pretty good year. True, in terms of private building, anything in this range is lower than 1953's probable production of close to 1,050,000. But it will be at about the postwar average.

I do not believe that, because 1953 will probably be lower than 1952, this necessarily means the beginning of a decline of greater proportions in ensuing years. Rather, I look upon it as a year in which some adjustments will be made to the changing characteristics of the market; and I think that, if we are successful in this, we can reasonably hope to continue the postwar average rate of production until that happy time, some years ahead, when the maturing of the substantial crop of postwar babies will again give something of an automatic market.

We are a growing, vigorous country. The great increase and redistribution of our wealth during the past decade has produced demands that were unimaginable in the 1930s. More and better housing has been and is bound to be an important feature of those demands. All this is good reason for optimism. But to be more specific:

The rate of new household formations is holding up much better than had been estimated even a short time ago. The Bureau of the Census now estimates that the average number of households added during the years from April 1951 to April 1953 was around 950,000 instead of the earlier estimates of about 900,000. It can be expected that 1953 and 1954 will come much closer to 950,000 than has generally been contemplated.

But such a recalculation does not in itself make a market. But it does give further explanation of the well-sustained demand since the super-year 1950; and it adds support to the view of a sustained demand during 1954. In other words, *the basic growth factor is still strong.*

The other aspect of growth—population increase—is also still strong. The baby output in 1953 promises to exceed that of 1952 and there is no reason to expect a decline in production. Especially pertinent to the housing market is the larger number of second, third, fourth, and even fifth children over previous years. Housebuilding during the first postwar years was designed for small families. The demand for larger houses is now characteristic of the market. This was

clearly shown in 1953's building. It will continue to be a strong spur for at least the rest of the decade.

Vacancies quite generally appear still to be below any figure that in former times was considered to be a safe margin in a healthy real estate market, in spite of the enormous post-war program. One reason for this is the growth factors I have mentioned. Another is the striking increase in the number of older people and of the ability of these folks to maintain their own households as a result of the growth of savings, pensions, and other forms of social security. Our present population requires more separate dwelling units than used to be the case; and, except during an extreme economic set-back, this will continue to be the case.

Our restlessness as a people is another source of housing demand. Over 20 per cent of us move every year and, of these, a third move from beyond the county in which they settle. This does not simply mean a reshuffling of families among the same houses. A good part of it involves moving to new areas, either in the same metropolitan area or to another part of the country, where new housing must be supplied. Often the housing left behind is not located where other families will want it, and makes up a residue that may no longer be in the market at all.

Probably as important a stimulus to building as any other is our prosperity. The vast improvement that has taken place in the income of the average family has created a tremendous urge for a better way of living, and the opportunity of the building industry is to direct that urge into improved housing.

Good Times the Stimulus

To do this successfully, however, takes a lot of work and a lot of flexibility of ideas, even when economic conditions are favorable. A hard selling job has to be done, because there will always be plenty of competition for the prospective home buyer's dollars. And the sales effort will have to be backed up with something that the public will be eager to buy and can afford to buy. This means quality, novelty, and price. If all we are going to do is to build 1940 houses for sale in 1954, we can't expect much more success than an attempt to offer 1940 automobiles for the 1954 market.

Builders are showing a great deal of awareness of these necessities. They are more alert to the characteristics of demand than ever before, and they are paying more and more attention to the importance of quality improvement and style development. But mortgage lenders also have an important part to play. The mortgage lender's influence on the builder's decisions is often crucial. He can encourage or discourage novelty. He can be indifferent to or insist upon good quality. He can or not, as he chooses, be active in aiding his builder clients in learning more about what people want in their homes and how to get it for them.

De-Moss FHA

In other words, the lender can, and must, if he values his salvation, co-operate in the great advancement in building technology that is now under way and in the development of knowledgeableness of the market. The old idea that novelty in itself adds to risk has to be discarded, and in its place must be established that well-considered novelty can diminish risk. And, incidentally, the lender can do a great deal to get this principle better understood in some of the moss-grown reaches of FHA.

But will general business conditions next year be favorable to the exploitation of the betterment demand? We have all been well-informed about the coming recession, because no event has been so widely prophesied or so well-advertised. Actually, we are in a mild recession. Farmers are not doing so well. Inventories are beginning to arouse some concern. Hours of work per week are down from mid-summer. The rate of industrial expansion has been declining; and the number of new housing starts has been decreasing month to month since April.

A number of important economic adjustments are, therefore, under way. How serious they may prove to be or how long a time they will take, no one can assuredly say. Most observers, in and out of government, do not expect the drop to go far enough to make 1954 in any real sense a depression year. How well these expectations will be met, however, depends pretty much on the way business and government react to the potentialities.

Government on Alert

The government is on the alert—not in any attitude of fear or panic, but in full awareness of the importance of nearly every action of government to the general business situation. As one example, we can point to the gradual easing of credit since June, and the present view of Federal Reserve officials that at present it is preferable to err on the side of easy than of tight money. Another example is the Treasury's care in fashioning its recent new financing so as not to disturb the market for long-term private investments. Still another is the intention to go ahead with tax cuts even at the probable cost of an increased deficit. And beyond this we can look forward to some helpful changes in housing legislation and administrative policies. You can count on government doing everything that it can do to promote economic stability and you can expect the action to be prompt and to the point.

From the point of view of building, tax reduction and easier credit should produce a strong stimulus in itself as well as a good base from which to launch a jet-propelled development and sales effort of its own. For it is as important for business as for government not to lose confidence nor to fail in adapting to changing conditions. The underlying sources of demand are still with us. Certainly, such extreme pressures as those of the late 1940s cannot be counted on to give us an automatic market. No one is going to have to fight off customers in 1954. Nevertheless, the customers still can be induced in a market that is given plenty of customer appeal.

There is another thing that is important to the maintenance of a healthy housing market during the next several years. That is to prevent the accumulation of a burdensome surplus. By this I do not mean a sharp curtailment of new building. That was the only way of dealing with surpluses in the past, but it isn't a way that is suitable for a dynamic economy.

What we have to do is see to it

that the poorest elements in the supply are from year to year removed from the market so that, at the occurrence of some falling off in demand, they will not be there to dilute the market as a whole. This is something that has never been accomplished. And it can be done only with the participation of local government.

The requirements are: (1) ordinances that set minimum standards for the safety and sanitation of existing residential buildings and limitations on their occupancy; and (2) vigorous, consistent, and unremitting enforcement of the ordinances. The result should be that, as the supply of better houses is increased, the uneconomic cost of the required maintenance, under conditions of limited occupancy, would force the worst houses off the market in a very literal sense. We would thus begin to get a situation where loss of value in case of a recession would be borne by the poorest rather than the best of the supply. By taking the bottom out of the supply, we can help to prevent the bottom from falling out of the market.

We Have Big Stake

Since no group has a greater stake in the stability and continuity of the housing market than mortgage lenders, they have much to gain from participation in the efforts now being made in cities throughout the country to get appropriate ordinances enacted and dependable enforcement procedures established.

I see no reason at all for being gloomy about 1954; but I also see plenty of reason for not being complacent. The basis for a good housing year will be present in continued growth and continued desire for better things. Stimulus to demand will be present in lower taxes, easier money, and, we can hope, some important improvements in the facilities and procedures of the government's mortgage insurance and credit agencies. The rest is up to the building-financing team. They can have a market if they support technological advancement, sell hard, and help to eliminate the worn-out part of the supply. In short, they can have a market if they really go after it.

LOOKING AHEAD TO THE NEW YEAR

As for the mortgage industry, the prospects are considerably brighter this year than was the case a year ago, says President Clarke

"There are two significant factors in the outlook for new building and mortgage financing for the new year," MBA President William A. Clarke said in his year-end appraisal of the outlook for the mortgage industry.

"The first is that the mortgage market has achieved a considerable degree of stability in the past several months. There is every evidence that rates of interest on conventional mortgages and the yields produced by discounts on FHA and VA mortgages are coming closer and forming a pattern that is decidedly better than existed in the middle of 1953. Barring some wholly-unforeseen, international emergency, there will be enough money seeking mortgage investments in 1954 to provide the builders of the country with the funds needed to finance their expected building programs."

Assuming that there will continue to be a strong demand for funds, President Clarke does not see any likelihood of mortgage money becoming much easier than is currently the market, which, in his opinion, will mean that for the country as a whole government insured and guaranteed mortgages, with their present maximum interest rates, probably will continue to sell somewhat below par.

The second significant factor for 1954 is the legislation that the administration is expected to introduce in the new session of Congress. This legislation will result from the report of the President's Committee on Housing Policy. Mr. Clarke said, "It is expected that this legislation will introduce procedures which will provide far greater flexibility in the administering of interest rates on the government-aided mortgage programs and will permit the interest rates on these mortgages to reflect market conditions. If passed by the Congress, legislation which produces this result will finally put an end to the type of mortgage crisis that we have experienced in the recent past.

"Nineteen hundred and fifty-four will be a good building year with the possibility that total starts of dwelling units might approximate the million mark as was true in 1953, and with apparently an assured minimum of around 900,000 units. Either result will constitute a good building year and one that will meet the demands of our continued national growth.

"Institutional investors are finding that present legalized discounts provide mortgage yields that are competitive with those offered by other investment outlets, with the result that a larger proportion of the available funds are being channeled into mortgages. Lenders who have traditionally made the mortgage market one of their principal investment mediums but who, for more than two and one-half years, have found other media more attractive, are again willing to commit a larger portion of their funds for mortgage investments. All of this means that 1954 is certain to see more stability in the mortgage field price-wise than has been true for the past year."

SLICHTER ON THE SLUMP

Our salvation for side-stepping it if we see it coming

I DON'T believe a large drop in business is likely. No significant drop in government spending is in immediate prospect (perhaps none at all), recent large new contract awards for residential building assure no substantial immediate drop in that field, and planned expenditures of business concerns on plant and equipment during the fourth quarter were only about 5 per cent below the third quarter.

The period beginning in January is more uncertain, but even after the first of the year, no severe drop in business is in prospect. Expenditures for consumer goods in general will be sustained by the substantial maturities of savings bonds in 1954 and by the 10 per cent drop in the personal income tax effective January 1.

Housing construction will be kept high (even if slightly below the present level) by the possibility of buying houses by monthly payments which do not greatly exceed monthly rental payments, by the desire of many families to move out of congested areas, by regional shifts in population, by the strong preference of many families for modern one-story dwellings and by the fact that many recently-built houses are turning out to be too small so that they must be replaced or enlarged.

Outlays on industrial plant and equipment will be kept high by the many investment opportunities created by the large volume of industrial research during recent years and the rapid progress of technology.

Finally, the effects of prospective tax reductions on the Federal budget will be greater than is indicated by the figures for the present fiscal year because the reduction in the personal income tax and the termination of the excess profits tax on January 1 affect only half of the fiscal year, the reduction in the excise taxes on April 1 will affect only one-quarter of the fiscal year, and the cut in the corporate income tax on April 1 will not affect revenues in the present fiscal year at all.

The drop in revenues from all of the scheduled tax cuts over a whole year is estimated at about $8 billion. For the calendar year 1954 the cash receipts of the federal government will be about $2 billion to $3 billion below receipts for the present fiscal year.

Unless there are further cuts in government spending, the calendar year 1954, in contrast to the present fiscal year of 1953-54, will show a cash deficit of $2 billion or more. The deficit will help sustain business. Any drop in business will tend to increase the deficit, and this in itself will help to halt the decline in business.

Although any drop in business that may develop is quite likely to be moderate, it would be foolhardy for business and government not to do all in their power to prevent a drop. I do not agree with the view one hears frequently expressed that a mild recession would be a good thing.

Within this country the effects of a moderate recession would not be particularly serious, but the effects on some other countries could be grave and could threaten our leadership of the free world.

Furthermore, even a small recession would strengthen the already strong demands for additional restrictions on imports into this country. Additional restrictions would injure us economically and would threaten the success of our foreign policy. And even the United States, rich as it is, should not complacently accept the waste of several millions of unnecessarily unemployed. Consequently, business and government should take steps to prevent a recession from developing here. Business and government have it within their power to prevent a recession and a recession is quite unnecessary.

What can and should be done?

By SUMNER H. SLICHTER

Economist and Lamont University Professor, Harvard University

"HIGHLY UNORTHODOX" some may say of Dr. Slichter's suggestion that one of the most important cures we have for business cramps is to persuade the American people to cut their present high rate of personal savings. Wider recognition will go to his contention that there is a lot of work in this country that should be done but isn't being done and to get at it would be fine recession medicine. But the principal Slichter conclusion is that we're not facing a major economic down-swing anyway.

Four lines of policy are particularly worthy of attention. Two of them should be pursued by business. The third and fourth should be adopted by the government in the event that business alone is unable to avert a contraction.

The most promising way of averting a contraction is to bring about a drop in the rate of personal saving. Some drop has apparently occurred during the last few months. In the last quarter of 1952 personal saving was about 7.7 per cent of personal incomes after taxes; in the second quarter of 1953 savings were 6.9 per cent of personal incomes after taxes. It ought to be possible for business to induce consumers to reduce their rate of saving to about 5 per cent of income after taxes. This is higher than the rate of personal saving that existed in 1929, 1939, 1940, or 1949 and only slightly less than the rate in 1948 or 1950. At present income levels a 5 per cent rate would still leave personal savings of over $12 billion a year.

A reduction in the rate of personal saving to about 5 per cent of personal incomes after taxes would *raise* the outlays for consumer goods by about $5 billion a year.

When production and employment fell off in 1949, business succeeded in reducing the rate of personal saving from 5.6 per cent in 1948 to 3.6 per cent in 1949. As a result, there was a small rise in consumption expenditures in the face of a small fall in personal incomes both before and after taxes. Enterprises were helped in selling goods in 1949 by the backlog of accumulated demand that still existed.

Even today, however, it is not unreasonable to expect business to persuade individuals to cut their savings by $5 billion a year and to increase their purchases by an equal amount. After all, the potential demand is there. Individuals already have the money, but they are saving it, not spending it. In order to sell $5 billion more goods a year, business has only to compete more effectively with the consumers' desire to save. This means in the main offering consumers more attractive goods at more attractive prices.

But although the average consumer has no desire for more high pressure salesmanship and although he has no time to read or listen to even greater quantities of advertising, he does wish better goods at more attractive prices. It will be a blot on the American system of private enterprise and a reflection on the resourcefulness of American management if unemployment develops because business concerns are unable to persuade consumers to cut their present high volume of saving by about $5 billion a year and raise their spending by the same amount.

A second way in which business can prevent or check a recession is either by maintaining outlays on plant and equipment at about present levels or by increasing dividends. It is possible that enterprises even today have so many unexploited investment opportunities that they will wish to continue to spend on plant and equipment at approximately the present rates.

That, of course, would be a major contribution to the maintenance of a high level of employment. It would not be surprising, however, to find that enterprises, after several years of high outlays on plant and equipment, wish to spend less for a year or two. In that event, there is no excuse for corporations to continue to pay out less than half of their earnings after taxes, as they have done in every one of the last 11 years except 1945. So long as corporations were financing large purchases of plant and equipment, the plowing back of half or more of profits was desirable.

Furthermore, in the circumstances of the last few years a high rate of corporate saving was a much-needed check on inflation. But if a drop in investment outlays by business concerns threatens a drop in production and employment, the retention of such large quantities of corporate earnings will become quite inappropriate.

Business cannot afford to assume the responsibility of subjecting the economy to the powerful deflationary pressure that would be generated by the retention of large amounts of corporate earnings during a period of contraction.

It is true that a drop in production and employment would itself produce some drop in earnings, but this drop would be cushioned by present high rates of corporate taxes. Furthermore, corporations are about to receive several billions a year in tax cuts. Hence, a moderate drop in business would not prevent corporations from increasing dividends by several billion dollars a year. Such an increase would have two favorable effects. By increasing personal incomes, it would improve the opportunity of business concerns to sell more consumer goods and by raising the yield of the personal income tax it would enable the government to make bigger cuts in this tax than would otherwise be possible.

What can government do to prevent or check a recession? The first steps to prevent a recession should be taken by business. But the government should be prepared to help.

There are two principal steps that the government can take.

One is to cut taxes; the other is to spend more money. By cutting taxes,

the government increases the incomes after taxes of individuals and enterprises and thus puts business in the position to sell more goods to individuals and enterprises. By increasing expenditures, the government directly raises the demand for goods. A third possibility is for the government to cut both expenditures and taxes, but to cut taxes more than expenditures. Under present circumstances, however, I fear that large cuts in expenditures are incompatible with national security.

The government made a major contribution to limiting the recession of 1949. The cash budget, which had a surplus of $8 billion in the calendar year 1948, showed a deficit of $1.3 billion in the year 1949—a change in an inflationary direction of $9.3 billion. Even this large change, plus the success of business in substantially reducing the rate of personal saving, was not entirely sufficient to avert a recession.

In 1949, the contribution of the government to stability took the form of more expenditures rather than smaller revenue collections. Tax rates were not reduced after the reductions of early 1948 and cash receipts of the Federal Government in the calendar year 1949 were only $3.4 billion less than in 1948. Cash payments to the public, however, increased $5.8 billion between 1948 and 1949—largely due to greater defense outlays and expenditures for the support of farm products.

Until several months ago I should have unhesitatingly said that the better policy for the government to employ against a recession now would be to cut taxes because present tax rates are dangerously high. On narrow economic grounds, I should still say that under present circumstances tax cuts are preferable to larger government spending. But more than economic considerations are involved. Russia apparently has the hydrogen bomb—probably not yet in a form that would permit her to deliver the bomb in the United States, but that day may be only several years off. Our defense strategy and program require thorough reconsideration. When that thorough reconsideration has been given, perhaps the conclusion will be reached that by ceasing to make a lot of apparatus and weapons that are not adapted to the thermonuclear age the defense expenditures can still be kept from rising above present levels. But even if that happy conclusion should be reached, one thing may be plainly stated—that so long as this country is doing as little as it is today to build up its civilian defense or its Air Defense Command or to adapt its cities to atomic attack, there is no excuse for any significant rise in unemployment.

There is *plenty of work that needs to be done that no one today is doing.*

What kind of tax cuts would do the most good and how much good would they do? In a period of threatened recession, the tax cuts that would do the most good are those that would increase the ability of individuals to buy consumer goods rather than those which would increase the ability of corporations to buy goods. In other words, cuts in

the personal income tax and in the excise taxes would do more good than cuts in the corporate income tax. The reason is simple. In a time of business uncertainty, corporations are quite cautious about making new outlays on plant and equipment. Under such circumstances, corporations confine investment expenditures to the few most attractive opportunities. Putting more funds at the disposal of corporations by cuts in the corporate income tax would not result in much immediate increase in the purchase of goods by the companies. It would help companies to pay their debts or to build up liquid assets, and after a year or so the improved financial condition of enterprises would encourage them to spend on plant and equipment. This favorable effect, however, would be a delayed one.

Cuts in the personal income tax and in the excise taxes would have more immediate effects. Individuals as a whole spend more than 90 per cent of their income after taxes on consumer goods. About 40 per cent of income receivers do no saving—they spend their incomes as fast as they receive them. Such persons are found in all income brackets. The proportion of personal incomes spent for consumer goods tends to rise in periods of contraction when incomes are getting smaller. Hence, there is a strong probability that more than 90 per cent of any additional income received by individuals as a result of tax cuts will be spent promptly for consumer goods.

It must be conceded, however, that many consumers may not promptly spend the additional income provided by tax cuts. The behavior of consumers in recent years has been somewhat unpredictable. But even this uncertainty does not destroy the conclusion that cuts in the personal income tax will help halt contraction of business. The cuts in the income tax create a potential market for goods. The additional income is there. People will buy more provided business enterprises persuade them that the goods are worth the additional expenditure.

What more can business enterprises ask than such an opportunity to sell? The additional income would be in the hands of consumers. It would only remain for business to persuade them to spend it. To the extent that enterprises were able to convert the potential demand created by income tax cuts into real demand, they would tend to halt the contraction of production and employment.

Now about monetary policy, I grant that the central banking authorities (in the United States the Federal Reserve System) in a period of contraction should either reduce reserve requirements or make it easier for the commercial banks to replenish their reserves. I do not believe, however, that monetary and credit policy should be used as a major instrument for fighting contraction in the United States for another year or so. The use of credit as a major instrument would involve further increases in personal and corporate indebtedness. There has been a rapid rise in such indebtedness during the last seven years. A pause in this increase for

(Continued on page 22)

WHAT happened in the United States between 1947 and 1953 constitutes the most sensational economic story of modern times.

It is the story of America in its era of greatest change. It is the story of the U.S.A. in the most exciting six years of its internal development. It is the story of the closest approach to material utopia ever experienced in human history.

These same six years have also been tremendous years in American history in international affairs. These were the years of the defense of Greece and Turkey, of the Marshall Plan, of the fall of Czechoslovakia, the China disaster, the defection of Tito, the Berlin airlift, of NATO and the final, bitter frustration of Korea.

noted that in a single year, from 1950 to 1951, American output increased more than the entire production of the United Kingdom.

Both relatively and absolutely, aggregate consumer income has risen *more* since 1947 than between 1941 and 1947. In fact the total rose 23 per cent. Per capita income in the same period has risen no less than 12 per cent. It now stands at nearly $1,600 of disposable income for every man, woman and child in the U.S. These figures are in terms of constant dollars, 1952 dollars *after taxes.* And I am talking about consumer income, that is real income after taxes, income available for purchases of goods or services or for savings and investment.

The Best Years of Our Lives

You lived through them, these years from 1947-1953, but how aware were you of the great changes going on about you, changes in population trends, larger families, the sensational expansion of our so-called middle class, the great heights to which American productivity soared, the vastly increased markets. It all happened. Add it up and it's a strong foundation for future growth.

By RALPH D. PAINE, JR.
Publisher of Fortune

Piling in, one hard upon another, these events diverted us from what was going on in these years in our own backyard. Now that we have had a brief respite from the pressures of world leadership, we can measure and look at what has happened at home. It is impossible to exaggerate how profound these changes have been. They can be summed up in these basic points:

» **RISING INCOME:** The tremendous increase in real income is the bed-rock fact about the U.S.A. in the postwar years. This immense growth in real income is unparalleled. A British economist, discussing the sources of American productivity,

It is easy to miss the significance of the phrase "after taxes"—the economic significance is simply that the entire defense effort from 1950 to date was absorbed by our increased productivity and more. Not only did we absorb the entire cost of rearmament but in addition raised the standard of living in real terms, in constant dollars, by nearly 12 per cent—*in six short years!*

» **BIRTH RATE:** Like population figures, the birth rate is one of the most widely-publicized of the great changes of recent years. Yet its significance cannot be repeated too often.

The wartime and immediate post-

war increase in the birth rate received a sagacious nod from all the experts, including the Bureau of the Census. It was, they said, the normal concomitant of the Great God of War. The downward trend would resume within a year or so.

All were wrong! The reason that the U.S. is adding population at a faster rate than at any time since the great immigration peak of the first years of this century is simply this: The death rate has remained relatively stable and the birth rate has, since 1947, remained high, and will this year reach an all time high of 4,000,000.

This fact is in the face of a drastic decline in the rate of family formation. We are entering the period of a shortage of eligible young men and women—the result of the constricted birth rate of the Depression years of the early 1930's. It should be noted that the constricted birth rate of the Thirties also means a very significant drop in the next six to ten years in two things: first, the number of young men available for military service; and, second, the number of men and women entering the labor force.

It is very hard to foresee large-scale unemployment in the next few years for the reason that fewer and fewer people, relatively, will have to produce the goods and services for more and more non-productive people—until the early 1960's.

The next few years will be the greatest test of American productive ingenuity that we ever experienced. For the next six to ten years we will have a tremendous increase in the population under 18 years of age, and a very considerable increase in the numbers over 65. And we will have, *relatively*, a declining number of those in the working force who produce our goods and services.

But to go back to those four-million kids who entered into U.S. citizenship in the year 1953: The fact to remember is the proportion of first, second, third, fourth and fifth children. Large families are again in fashion. Economically perhaps the most important child is the third. The first and second can be accommodated.

With the third child one thinks of moving to larger quarters. You can't raise three children in a two bedroom

Children are more stylish than ever in this changing America. There are more children and more third, fourth and fifth children. That means more markets, more people to serve, more prosperity, more America.

postwar suburban development house. How many third children this year? 620,000. How many fourth? 310,000. How many fifth and more? 570,000.

And these are the critical years. We can all safely anticipate the boom of the 1960's and 1970's. These will be the decades when all the kids of the last decade are grown up, and the marriage rate and the birth rate and the rate of housing starts and all the other factors of an immense increment to the adult population conspire to provide the elements of the greatest boom in history.

>> RISING PRODUCTIVITY: What is most important is the explosive combination of a rapidly expanding population *and* steadily rising productivity. Not only are we adding the equivalent of one Canada to the U.S. market every five years; at the same time the standard of living is rising *faster* than population. The reason is the inexorable 2 per cent rise in productivity that modern capitalism delivers on average year after year.

Recently an Australian business editor, visiting the U.S. on the last lap of a long trip to report on the world's economies, was asked what impressed him most about the U.S. economy.

"You are over the hump," he said.

"What do you mean, over the hump?"

"Your efficiency," explained the visitor, "has brought you to the point where consumption is increasing, so to speak, in geometrical ratio—the more you consume the more you produce, and the more you can consume. While the rest of the world is trying to struggle up the rocky road to that point, you have long since passed it. In fact, you are picking up momentum, and fast increasing the distance between yourselves and the rest of the world."

He had grasped probably the most significant fact about the current American economy.

>> EXPANDING MIDDLE CLASS: The single most important effect of expansion in consumer income in the last few years is the rise of a great mass of Americans into a new and prosperous middle class. It is like no other middle class in history, either at home or abroad. It is not like the bourgeoisie of Europe nor is it like the middle class of the 1920's. It is uniquely American. Indeed, it is very close to the American Dream come true in economic terms.

We take $4,000 of disposable income—that is in 1952 dollars after taxes—as the lower limit of the term "middle class." Most economists agree that that is the point at which a family unit begins to have some discretionary spending power. In the group between $4,000 and $7,500 of disposable income are now concentrated 18 million family units, 35 per cent of the total. And they dispose of 42 per cent of all the purchasing power in the country.

An even more remarkable fact about this group is that it has increased in numbers by about 45 per cent since 1947.

In the next group, the family units in the $7,500 - $10,000 bracket, have increased in numbers since 1947 by no less than 50 per cent.

Many of the people in the $3,000 to $4,000 bracket are farmers or people who live in semi-rural areas where living costs are low. They frequently have more cash to spend than urban or suburban families with higher incomes.

Thus, if we broaden the definition of middle class to include all these families in the $3,000 to $4,000 plus those in the $7,500 to $10,000 group, we find that 58 per cent of all family units have real income of between $3,000 to $10,000.

In 1929, the figure was 29 per cent, precisely one-half of what it is today.

If this is not progress, nothing is!

>> GROWTH OF SUBURBS: The suburban way of life is now an important phase of America but it is exceedingly difficult to define exactly what suburbia is.

Two methods measure suburbia: One which we call a "loose" definition and one called a "strict" definition. Look first at the strict definition. We in *Fortune* went back to the 1950 census tracts of metropolitan areas (cities of 50,000 or more) and discovered these three characteristics of true suburban areas:

>> Higher than average family income.

>> Larger than average number of children.

>> Higher than average home-ownership.

On home-ownership we took 66 per cent as minimum for this strict definition.

By these standards, we found a total of 30,000,000 people in strictly suburban areas. And the population of these areas has increased by no less than 9,000,000 since 1947.

We then dropped the home-ownership figure to 50 per cent to see what areas would be added by this somewhat less strict measurement. The first result was that median income in these areas with 50 per cent home ownership dropped 20 per cent below those areas where ownership was two-thirds or better. However, their income was still considerably above non-suburban. To this group we applied the term semi-suburbia, and it consists of 12,000,000 people. When we add this to our original 30,000,000 strictly suburbanites we get 42,000,000 in and around the metropolitan areas.

What about the small town and the cities under 50,000? We estimated that nearly one-third of these people lived a suburban-type life—another 12,000,000.

So, for a grand total of strictly suburban, semi-suburban and suburban-type population, we get a total of 54,000,000—a good one-third of the entire population. And we estimate that this group, now far larger than either the true city dwellers or farmers, expanded by approximately 17,000,000 just since 1947.

>> LUXURY MARKET: If the rising and expanding middle income group is tending to become The Market; if the cream of this market is to be found in the suburbs, where life is relatively simple and informal, what is there to be said for the old luxury market? The "luxury market" is not a statistical abstraction; it is one of the most dynamic areas of American spending.

It's dynamic because it is in this area that we look for the buyers of the new products that become the necessities of tomorrow and the new industries. But no two people can agree on a definition of the term luxury in today's economy.

To arrive at some coherent picture of the luxury spending we worked out a formula which allows for the fact that some people's necessities are other people's luxuries. We again took $4,000 of disposable income per family unit as the cut-off figure; below $4,000 there is no appreciable money for luxuries. Then we assumed that the amount spent on necessities rises with income but not in proportion. For instance, a $5,000 family might spend $4,600 on necessities whereas a $10,000 family might spend $7,000 on bigger and better "necessities." And so on. The man with $100,000 after

taxes probably has an irreducible minimum of necessities of perhaps $25,000. By this method of calculation we arrived at an aggregate of $34 billion, or about 15 per cent of total consumer spending. Which is quite a chunk of spending money.

But the interesting thing about that $34 billion is who owns it. Well, surprising enough, $6.6 of it is still in the hands of families with more than $25,000 of income after taxes. All the rest, 80 per cent of it, is in the hands of those between $4,000 and $25,000; in 1929 it was 40 per cent. And it is a remarkably even distribution.

The $27.5 billion is distributed among the 23 million family units as follows (all income after taxes):

- $7.9 billion among the 800,000 with $15,000 to $25,000.
- $6.1 billion among the 1,200,000 with $10,000 to $15,000.
- $6 billion among the three million with $7,500 to $10,000.
- $6 billion among the eight million with $5,000 to $7,500.
- $1.5 billion among the ten million with $4,000 to $5,000.

The American Market is growing more homogeneous. Regional differences in income are disappearing. The historically low-income areas of the South and Southwest have surged ahead. The East and the Far West are still the highest income areas but the gap is approaching insignificance.

The country is growing more homogeneous in a market sense, in that the great middle income group, particularly as we find it in suburbia, tends to buy the same things in the same, or same kind of, stores from Boston to Los Angeles.

In suburbia, whether in the "strict" sense or in the hundreds of small towns and cities of the "loose" definition, we find a new emphasis on what the modern sociologist calls the "group." It is, apparently, terribly important to "belong."

Although the great and growing middle class, with its patterns of taste and choice being so largely determined by suburbia, is becoming more and more homogeneous, it is at the same time becoming more diverse.

This paradox is easy to resolve. Going back to the analysis of what luxury spending in fact is—namely, a variable factor depending upon income; since there is a tremendous amount of disposable income available for luxury spending in the middle income groups, the luxury fraction of it is going to be spent in a highly personal way—provided only that the results of the spending are socially acceptable.

It is quite all right for a family with $7,500 of disposable income to spend, say, $500 for photographic equipment. Or more precisely the head of that family.

Or $750, over a period of two or three years, for power-tools for the workshop—rationalized, by the argument: "It will pay off in what I can do around the house."

And what about fishing tackle, guns, the impedimenta of skiing, and that newest of middle income necessities, a boat, priced anywhere from $2,000 to $15,000. You know, working-man stuff, not yachts, of course. Yachts went out along with the customers in the 1929 crash. We are enjoying the greatest boat boom on record—boats, not yachts, if you know what I mean.

These have been some observations about what has been going on in the U.S.A. in the very recent past. But it is impossible to talk about what has happened in America in the last few fateful years except against the backdrop of world events.

During these same six years of the most rapid rise in the standard of living ever recorded, we (1) picked up the check for the defense of Greece and Turkey; (2) paid most of the bill for the rehabilitation of Japan and Germany; (3) financed the economic recovery of the rest of the western world in the form of E.C.A.; (4) furnished enormous quantities of arms to our allies in all parts of the world; (5) maintained large military forces of our own on our strategic frontiers; (6) built and manned the air bases which served as the sole deterrent to the Red Armies since 1946; and (7) fought the third costliest, and by all odds the ugliest, war in American history, the war in Korea.

Congressman Wolcott's

CREDO OF CREDIT

Credit of the government kind, that is. These are the ideas of Congressman Jesse P. Wolcott, chairman of the house banking and currency committee, as to just what government's role ought to be

THE government is not going to produce goods. The government is not going to produce credit. We are leaving those functions to the producers under the American system of government.

Government has rejected inflation as a matter of government policy. Unless our goal is stability of our currency and our economy, then the producers will have no foundation upon which to plan. Our objective is to put private enterprise in a position where, because of a sound financial structure, you can plan far into the future.

Notwithstanding anything to the contrary which has been said by anyone in government up to this time, there will be no government lending directly.

» DIRECT LENDING OUT: There will be no direct government lending in the field of real estate or home financing.

The suggestions which have been made that the government is to create the credit for home construction and for business expansion—the statements that that is going to come about—are not well founded, for the very reason that that does not fit into the pattern which government has accepted for itself. Surely, you would lose faith in your government and be justified in losing faith in your government if we were to tell you that we were going to compete with you, that you were not going to have to furnish the credit for home construction in this production effort, whether it is in the creation of new enterprise or the expansion of existing facilities, and then hold over your head, like a sword of Damocles, the threat that government through the resurrection of RFC or in any other manner was going to furnish the credit which we expect private enterprise to furnish.

Short of war, short of an emergency attending a war, you can plan in the assumption of this new responsibility for years in the future.

» NEW EXPERIENCE: This is going to be rather an unusual experience for a good many executives. We have found it in the construction industries. There are a great many younger executives today who will find it an unusual experience to compete in an open, free competitive market.

I was talking with a young executive in Detroit a short time ago. He told me of his experience. He said, "You know, heretofore, when we had a problem, we usually found a solution of it in some governmental regulation, because the governmental regulations told us what we could or could not do." He told me of his problem the first time he had to solve a problem which he used to solve by referring to a government regulation —to be told that it was no longer in the regulations, that he had to come to his own conclusion, he had to fit it into the pattern of his industry and his competitive position.

He said, "You know, at first it was rather difficult, but now I enjoy it"; and he thinks these things out, as an author would think out an outline for a story. He never had to do that before.

We can also give reasonable assurance in respect to inflation. The government, recognizing its obligation to stabilize our currency and our economy, is going to make as full use as is necessary of the indirect control.

We have repudiated the use of direct controls as a means of stabilizing

our currency and our economy. That means that instead of direct price controls to keep the price of goods down, instead of direct consumer credit controls to slow up the velocity of credit, or to reduce the volume of credit, we are going to attack those things at the source; and the orthodox methods which have been at the disposal of the Federal Reserve System since it was instituted in 1913 will first be given an opportunity to function.

>> THE PLAN: In the foreseeable future we believe that the job can be done through the manipulation of rediscount rates, reserve requirements, with possibly a very slight activity in the Open Market Committee, if the price of bonds drops or threatens to drop too low, or, on the other hand, if they threaten to get too high.

No goal has been set. Government bonds will have to find their place and their worth in the open market.

However, I caution patience. We are going through a transition period from inflation to stability. We are feeling our way along. If we were to put on the brakes too quickly, as we could, the facilities are available to throw this country by fiat of the Federal Reserve or the Treasury, into an economic tailspin. We could bring on a man-made depression almost overnight.

A greater portion of the public debt will be put in a position where it cannot be monetized, thereby removing one of the major influences which has resulted in inflation.

>> END FNMA: The suggestions which have been made by some bankers and lenders that FNMA be discontinued connotes that they are willing to set up their own secondary market through the establishment of a central mortgage bank or by contributing private capital to the expansion of the Federal Home Loan Bank.

Those are the two suggestions which have been offered, either one of which I believe would be acceptable in place of FNMA, and probably could do a better job in the long run.

The central mortgage banks have been advocated as a result of studies of the financing of housing in France and Italy, and it is rather appealing. The government would help in the establishment of the original capital, with the understanding that the Treasury be reimbursed for it.

In Congress, there has been much discussion in respect to the expansion of the Federal Home Loan Banks to get them to do the job which they were originally set up to do. I don't think that we have made full use of the Home Loan Banks as a secondary market. Perhaps some legislation is necessary to give them more authority, broader authority, but surely we will have no trouble if we decide that we should do it through the Federal Home Loan Bank System in passing the necessary legislation.

>> FHA AND VA: I have been a little surprised that some bankers have even advocated the discontinuance of FHA and the VA guaranty program on the premise that there is enough private credit available to do the job which has got to be done. That is a subject for study. But if it is true that we find private credit in sufficient quantities to produce about a million homes or a million units a year, then we will try to turn the job over to private enterprise; but I assume that those who are advocating that contemplate that the government will continue a secondary market in some form, at least until such time as private enterprise can establish its own secondary market.

I am anticipating some studies in respect to the coordination of programs between the FHA and the VA, especially in respect to appraisal practices and construction and design standards.

It is lamentable that we have all this trouble in evaluating the different standards which have been accepted for the guidance of VA as opposed to those which have been accepted for the guidance of FHA. You certainly

"The government is not going to produce credit . . . there will be no government lending directly . . . there will be no direct government lending in the field of real estate or home financing. . . . It is lamentable that we have all this trouble in evaluating the different standards which have been accepted for the guidance of VA as opposed to those which have been accepted for the guidance of FHA. . . ."

won't be able to plan far into the future unless we do something along that line to create the basis for your planning.

» MAN-MADE INFLATION: We brought about inflation deliberately, we legislated inflation. Back in the '30s the gold reserves were reduced from 35 to 25 per cent behind deposit liability and we reduced the gold reserve behind the issuance of Federal Reserve notes from 40 to 25 per cent. We broadened the base. Then we said that the banks would no longer have to put up commercial paper as security for the issuance of Federal Reserve notes, they could use bank-held government debt for the other 75 per cent.

It was in keeping with that program that we removed this differential between long- and short-term debt. So we wedded the debt to our money so closely that fluctuations in the debt were almost immediately reflected in fluctuations in the value of our money, and because the fluctuations in the debt have always been up, consequently fluctuations in the value of money have proportionately been down.

That is what we did to create inflation.

In keeping with our new policy of government, we have repudiated inflation as a matter of government policy, we should also reverse the processes somewhat slowly, cautiously, by which we brought about inflation, in the realization of this objective to stabilize. And that is what we believe will be accepted by the Administration, because it is the sensible approach to this problem.

So if we find that we have to raise the debt limit, I suggest that we keep the present bonded debt limit where it is at the present time, $275 billion. If it is necessary to raise it beyond that, we might raise it to re-establish this traditional differential of $15 billion, although it wouldn't be the same percentage-wise, so that the total debt would be $290 billion, but $15 billion over the $275 billion would have to be in short-term financing, which for all practical purposes could not be monetized.

SLICHTER ON THE SLUMP

(from page 15)

a year or two would be desirable. Hence, in fighting a contraction in the near future, the government should rely more heavily on fiscal policy (that is, tax cuts or increases in spending) than on credit policy.

The whole world is wondering whether the Korean War boom will be followed by a recession in the United States. The world watches with anxiety because even the mild recession of 1949 caused serious difficulties in many countries. The world does not have great confidence in the stability of the American economy or in the ability of American businessmen and the American government to keep the economy stable.

I believe that if the danger of a recession is clearly seen by business and government and that if business and government act to prevent possible recession, a drop in production and employment can be avoided. Success in preventing a contraction would be a major accomplishment. It would prevent a growth of conflict and tensions within our own community. It would enormously enhance the confidence of the entire free world in the soundness of American economic institutions and in our capacity to manage our affairs. It would greatly strengthen the influence of the United States throughout the free world. Other countries would slowly dare to assume that our enormous economy, roughly equal in productive power to all of the rest of the world outside the iron curtain, is becoming a sort of anchor to which they could tie their economies, secure in the belief that steady expansion here would furnish a basis for steady expansion throughout the free world.

Movingest People These Americans

Nothing new about that because we've always been that way; but it accounts for a substantial volume of the loan business you do in any single year

ONE of the extraordinary and invigorating aspects of American life is the mobility of the population as evidenced by the great number of persons who change their homes and places of residence every year.

Approximately 20 per cent of the civilian population moved in each year between 1947 and 1952. The number involved exceeded 30 millions in the year between April, 1951 and April, 1952. The majority of these movers stay within the same community or nearby areas but millions move across state lines every year.

This mobility has long been characteristic of the American population. The Census Bureau has found that nine out of every ten persons one year old and over in the United States in April 1952 had moved at least once in their lifetime, and that only 2 per cent of the adult population can qualify as "old timers" in their particular communities in the sense that they have always lived in their present homes.

Americans come by this mobility naturally. It was the same spirit of restlessness among the first settlers and those who followed them, combined with the search for opportunity and the drive to get ahead, that built up this country and made it the great democratic power it is today.

The mobility of the population has contributed much to the dynamics of the economy. The fact so many people are willing to take advantage of opportunity wherever it turns up has prevented the development of rigidities which are common in other countries where people move about less freely.

Mobility has likewise had a far-reaching economic stimulus, creating, for example, markets for new homes, building up communities and newly-opened areas as in the record migration from the cities to the suburbs over the last decade, and bringing the worker to the job from one part of the country to the other and to even comparatively remote areas.

Mobility is found among all adult age groups, but the young tend to be much more mobile than their elders, and particularly so if they are war veterans. Between 1951 and 1952, for example, nearly 38 per cent of those between 20 and 24 changed their place of residence, and nearly a third of all those between 25 and 29.

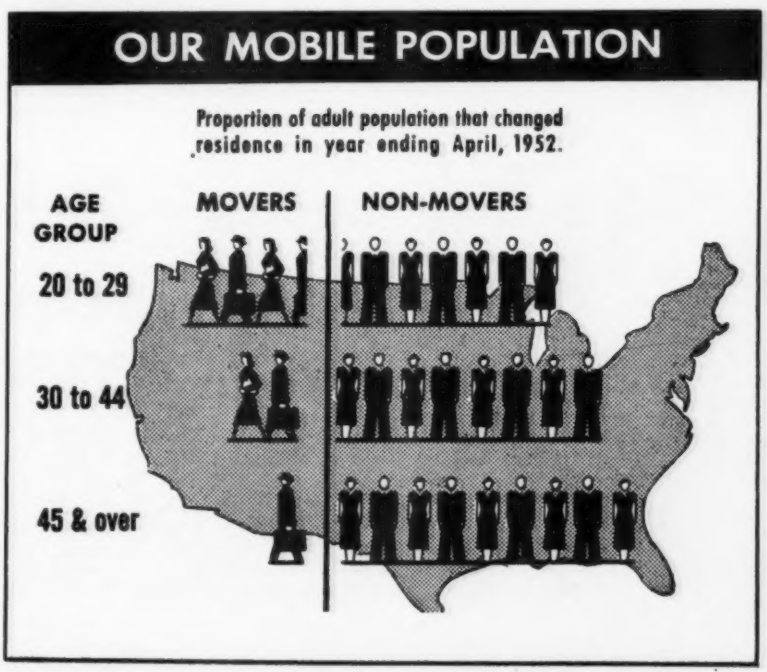
Older people, of course, have had more chance to get established and tend to stay put more than younger ones, but even so nearly 9 per cent of all those 65 and over changed their place of residence in the 1951-52 period.

An indication of relationship between mobility and income is found in the fact that a larger proportion of persons with low incomes is found among those who had not moved before 1941 or always lived in the same house than among those who had changed their places of residence since that year.

This table gives the number of persons who have moved annually since 1947 and their proportion of the total civilian population in each year:

Period	Number of Movers (000 Omitted)	% of Civilian Population
1947-48	28,672	20.2%
1948-49	27,603	19.1
1949-50	28,017	19.0
1950-51	31,464	21.2
1951-52	30,478	20.2

Source: U.S. Bureau of the Census.



VITAL STATISTICS f

The month's statistics show another "rolling adjustment" in progress. Industrial production in November [1] was markedly down both from October and from November of 1952. In contrast, department store sales showed a new buoyancy as they came out of the early fall doldrums to reach a higher volume than that of a year ago. Wholesale prices remained fairly steady. Indication is that excess inventory is being worked off.

New construction through November [3] continued to hold a 7 per cent lead over 1952 and was headed for the biggest year in history and a strong carryover into 1954. While the number of new housing starts [4] continued downward, the divergence between the corresponding month of the previous year narrowed, promising a final total of close to 1.1 million—about 2 per cent below last year.

Mortgage activity [5] was headed for its all-time highest year, with recordings through the first 10 months about 11 per cent above last year. Every type of mortgage lending institution shared in the year's advance. The market strength came mainly from conventional lending, although VA activity was showing continued vigor. Life insurance acquisitions of VAs [6] in October was substantially ahead of the same month in 1952, continuing an upward movement that has been generally consistent since February. The number of VA appraisal requests [7] for November moved ahead of 1952's November figure, and brought the 11 months total over 11 per cent above that of a year ago.

FHA activity, as shown by insurance company acquisitions and new applications [6 and 7], continued to be sluggish. While the year's total applications remained above 1952, this was due to high business during the first half of the year. The virtual disappearance of defense housing activity accounted in part for the subsequent slump.

The relaxation of the money market [2] was accompanied by increasing evidences of an ample supply of money with which to start next year's operations.

(1). General Business Indexes
(without seasonal adjustment)

	—1953—		—1952—		First 11 Months	
	November	October	November	October	1953	1952
Industrial production*	229[e]	235[p]	235	233	236	218
Wholesale prices**	109.8[p]	110.2	110.7	111.1	110.1	111.8
Department store sales**	136[e]	115[p]	134	120	105	102

Sources: Federal Reserve Board, U. S. Department of Labor.
*1935-39 = 100. **1947-49 = 100. [e]Estimated. [p]Preliminary.

(2). Bond Yields

	—1953—		—1952—		First 11 Months	
	November	October	November	October	1953	1952
Long-term U. S. governments:						
3¼% issue of May 1953, 1978-83	3.04	3.06	—	—	—	—
Other long-term issues	2.85	2.83	2.71	2.74	2.94	2.68
High-grade municipals (Standard & Poor's)	2.62	2.72	2.40	2.42	2.73	2.17
Moody's corporates, total	3.38	3.45	3.20	3.22	3.43	3.19
Moody's Aaa corporates	3.11	3.16	2.98	3.01	3.21	2.95

Source: Federal Reserve Board.

CS for the Mortgage Banker

(3). Expenditures for New Construction Put in Place
(millions of dollars)

	—1953—		—1952—		First 11 Months	
	November[p]	October	November	October	1953	1952
Private	$2,047	$2,118	$1,934	$2,007	$21,629	$20,017
Residential (nonfarm)	1,020	1,055	1,024	1,051	10,866	10,158
Nonresidential building	522	511	443	441	5,180	4,581
Public utility	396	423	347	375	4,085	3,689
Farm and other	109	129	120	140	1,498	1,589
Public	951	1,096	924	1,087	10,497	10,071
Total	$2,998	$3,214	$2,858	$3,094	$32,126	$30,088

Source: U. S. Departments of Commerce and Labor. [p]Preliminary.

(4). Number of Nonfarm Housing Units Started

	—1953—		—1952—		First 11 Months	
	November[p]	October[p]	November	October	1953	1952
Private	78,400	88,000	82,300	99,200	997,100	1,000,900
Public	1,600	0	3,800	1,900	34,200	54,600
Total	80,000	88,000	86,100	101,100	1,031,300	1,055,500

Source: U. S. Department of Labor. [p]Preliminary; figures are revised three months after issuance.

(5). Recordings of Nonfarm Mortgages of $20,000 or Less
(millions of dollars)

	—1953—		—1952—		First 10 Months	
	October	September	October	September	1953	1952
Savings and loan associations	$ 658	$ 654	$ 627	$ 593	$ 6,232	$ 5,386
Commercial banks	320	315	343	316	3,099	2,996
Insurance companies	123	125	135	118	1,240	1,179
Mutual savings banks	123	123	117	104	1,086	921
Mortgage companies and others	522	512	505	457	4,919	4,490
Total	$1,746	$1,729	$1,727	$1,588	$16,576	$14,972

Source: Home Loan Bank Board.

(6). Nonfarm Mortgage Acquisitions by Life Insurance Companies
(millions of dollars)

	—1953—		—1952—		First 10 Months	
	October	September	October	September	1953	1952
FHA	$ 60	$ 57	$ 79	$ 79	$ 693	$ 713
VA	42	40	30	12	320	376
Other	207	192	228	189	2,145	1,905
Total	$309	$289	$337	$280	$3,158	$2,994

Source: Institute of Life Insurance.
Note: Data include nonresidential as well as residential mortgages.

(7). Applications to FHA for Insurance on New Construction, and Appraisal Requests to VA on New Construction
(number of units)

	—1953—		—1952—		First 11 Months	
	November	October	November	October	1953	1952
FHA applications	20,295	21,950	32,071	27,780	305,826	298,579
Units in home mortgages	13,406	17,621	27,755	24,921	240,340	248,259
Units in project mortgages	6,889	4,329	4,316	2,859	65,486	50,320
VA appraisal requests	22,552	19,270	18,837	19,904	232,421	208,794

Sources: Federal Housing Administration, Veterans Administration.

The first in a series of reports by MBA committee chairmen on how our various activities function, how the work is planned and done and the general objectives being sought. This concerns legislation and is especially timely because congress is about to convene and, say many, it's likely to be an important year legislatively for the mortgage industry

Decisive Legislation Is Ahead

By ROBERT H. PEASE
Chairman, Legislative Committee; President, Detroit Mortgage & Realty Company

THE MBA Legislative Committee in 1954 faces more problems than at any time since the original enactment of the National Housing Act. The report of President Eisenhower's twenty-three man Housing Committee clearly indicates the breadth and scope of the housing legislation that will be introduced into this session of Congress. The objective study and thorough analysis of this legislation will be one of our main activities.

The actual preparation of legislation is an interesting and revealing subject and one every member ought to understand well. Housing legislation that will be introduced as the result of the President's Housing Committee report will be first prepared by a federal agency. But long hours of staff work are necessary before this bill can be brought into final form. HHFA, through its general counsel's office, will probably prepare most of the legislation from the President's Committee's report. It is of particular interest that President Eisenhower first created his Committee to thoroughly study the entire housing problem and, following this analysis made by the committee representing widely varying interests, the legislation would only then be prepared. Most previous Administrations have prepared legislation on their own and it was not available for examination until after it was submitted to the Congress.

Following the preparation of the bill by HHFA the legislation will then go to the Bureau of the Budget which is the co-ordinating agency for the President. Since this is an Administration bill it is likely that Senator Capehart and Congressman Wolcott, heads of their respective banking committees, will be consulted in an informal manner. From the Bureau of the Budget the bill then goes to the President and through his staff will be forwarded to the chairmen of the Senate and House banking and currency committees. The bill will then be introduced into the Senate and House and immediately referred to a committee. In some cases the bill is simply known by its number (for example, S1066) while in other cases is referred to by the name of the sponsor. The particular legisla-

tion coming out of the President's Housing Committee may well be called the Housing Amendments Act of 1954. After going to a Committee the bill is printed and copies are available for public distribution.

The priority of legislation on a Senate or House committee agenda is most important. It is likely that the Housing Bill for 1954 will receive prompt attention and it is possible that this legislation will be introduced by the end of January. Immediately following the reference of the bill to a particular committee, a date for hearing is generally set. At this time MBA's general counsel in Washington will ask the Committee by telegram for the opportunity of MBA to testify. These hearings before the Senate or House committee may last three days or three weeks. Anyone may testify before these hearings. This testimony is generally in the form of a short statement presenting the views of the witness and is then followed by a question and answer period. Upon the completion of these hearings, the staff members working for that particular Senate or House Committee go over all of this testimony and, in conjunction with the Senators and Congressmen on the committee, make such changes in the bill as they feel are necessary and advisable. With the bill in acceptable form, it is then reported out of the committee and goes to the floor of the Senate or House.

If the bill is not controversial it will be passed by both houses without difficulty and sent to the President for signature. However, in the case of important legislation, such as this Housing legislation for 1954, it is likely some differences between the bill in the House and in the Senate will have to be ironed out. Each branch of Congress passes its own particular bill and the differences are mediated through a joint meeting of a conference committee composed of members of the Senate and the House. In most cases these committees can work out their problems rather quickly, but where there is a wide difference of opinion several conferences are frequently necessary.

The most important things to remember is that nowadays the actual preparation of most legislation is done by the staff members of agencies of the federal government under the Administration's direction. Senators and Congressmen generally receive this legislation after the bills are written. They critically examine this legislation and welcome well-informed appraisals of it from their constituents.

Robert H. Pease

Your Legislative Committee this year is particularly cognizant of the latter problem. We have taken steps to insure that every member of the House and Senate will have personal letters from their constituents giving objective appraisals of the legislation. This "grass roots" approach is one of the most valuable and important things that we can do. Many of you will be asked to help with it.

Your Legislative Committee will study all proposals before the Congress and make recommendations to your Executive Committee and Board of Governors regarding them. The final decision as to MBA policies will come from your Board of Governors. Testifying before Committees will be by men selected by your Board for their outstanding qualifications on a particular subject. Your Association has always maintained a dignified and objective approach to legislation. We are concerned with complete and proper presentation of legislation for our industry, but it is constantly tempered by our judgment as to how any legislation will effect our nation as a whole.

The Legislative Committee will continue to make available to individual mortgage associations throughout the country the benefit of our counsel and advise on matters of legislation within their States. We will particularly welcome the opportunity to be of any assistance to these individual organizations whenever they desire it. We will continue, as an Association, the study started last year on foreclosure laws and laws governing real estate investments in the various states. Publication of this data at a later date will make it available to the entire membership. The Legislative Committee will also make studies in regard to income tax regulations as they apply to real estate. Legislation effecting the writing of insurance by our members was most carefully watched last year and notable progress was made. This activity will be continued.

Each legislative study is a fascinating activity. As the year progresses we will ask your help and need your cooperation. The year 1954 promises to be one of the most important in many years in the field of housing legislation and we particularly seek your suggestions at all times in regard to each piece of legislation.

MBA is fortunate in having an aggressive and capable committee to meet the legislative challenge which

(Continued on page 32)

Modernization Big and Getting Bigger

FOR every dollar that went into new dwellings in 1952, homeowners spent more than 50 cents on modernization and maintenance of existing houses.

A total of $5 billion was spent in 1952 for alterations, additions, maintenance and repair combined in the residential field. Last year's total will be higher. This compares with $9.9 billion spent for new dwellings in 1952, a ratio of 51 per cent.

In actual fact, these figures understate the full size and economic impact of the modernization and maintenance market in homes in view of the great expansion of "do-it-yourself" among millions of homeowners and, in many cases, among renters as well. No precise figures comparable with other areas of building activity are available here. However, even conservative estimates now credit amateurs doing innumerable jobs around their homes with expenditures of several billions of dollars a year for materials and supplies alone, leaving out any valuation for time or effort, or what the job would be worth if done by a professional.

The residential modernization and maintenance market is just one part of the nation's maintenance and repair bill in construction. Taking the whole field of construction activity, public as well as private, total maintenance and repair expenditures alone (not counting additions or alterations) added up to $11.4 billion in 1952, a record total. This was the equivalent of 26 per cent of the $44 billion spent for all construction in 1952, and represents an economic factor of marked significance to the basically important field of construction activity and to the manifold suppliers dependent on it—and to lenders thinking of Title I!

The 1952 proportion of maintenance and repair outlays to total construction expenditures is rather low by past standards, but it is characteristic of periods of intense new building activity such as has been taking place in the last few years and also occurred in the Twenties. The records show that the proportion going to maintenance and repairs tends to go up when new building slows down and the aging process begins to have its effect on existing structures. The long-term figures also show that expenditures for maintenance and repairs have a far more stable trend than outlays for new building and go down far less in times of economic stringency.

Maintenance and repair on homes represent the biggest single element in aggregate expenditures of this type, amounting to $4 billion for 1952, or 35 per cent of the total. Non-residential building was No. 2 on the list, its outlays in this area amounting to $2.7 billion in 1952. The public utility group, including railroads and oil pipe lines, was in third place with maintenance and repair expenditures of $2.1 billion. All others, including

farm and highways, spent $2.6 billion for this purpose in 1952.

While the "do-it-yourself" boom has attracted a great amount of attention, it is new only in scope and extent of participation. As a matter of fact, it harks back to the early days of all civilizations, and to the pioneer and log cabin days in our own country. Its revival on the scale of the last few years is due to a combination of factors, psychological as well as financial. Prominent among these are the great rise in building costs and the urge many people have to find an outlet outside their jobs and at the same time to use their increased leisure to some practical advantage.

Many suppliers in the building field and allied lines have contributed to this trend by promotional efforts and by designing kits, tools, etc., to simplify the task for the amateur. In many areas, the educational system is helping, too, by providing special courses on how to do things.

The Old and the New

This table compares the long-term trend of expenditures for new dwellings with combined residential outlays for additions and alterations, and maintenance and repair (in millions of dollars):

Year	Alterations, Additions & Maintenance	New Dwellings	Ratio
1915	$ 646	$1,040	62%
1920	800	1,710	47
1925	1,158	4,910	24
1930	1,416	1,570	90
1935	1,159	710	163
1940	1,591	2,560	62
1945	1,528	720	212
1950	4,600	11,525	40
1952	5,035	9,870	51

Some of the economic results of "do-it-yourself" verge on the spectacular, such as: two-thirds of all interior house paint sold and at least half of all wallpaper produced are now being applied by amateurs; purchases of work clothes by the amateur "builder' rivalling the sales volume to labor; and estimated expenditures of nearly $3 billion a year for lumber and building supplies, almost $600 million for paint and wallpaper, more than $100 million for floor and wall tile, and about $80 million for power tools.

We Made a FRESH START In Our Servicing

By L. K. HORN

Lon Worth Crow Company, Miami

HAVE you ever thought how expensive it might be to entirely revamp an existing mortgage servicing system to meet increased volume? Probably, but you may have stopped right there, thinking it would be too expensive to install a completely new system. Most servicers set up records to be changed from time to time according to demand. Eventually they reach a stage at which it is absolutely necessary that a major change be made.

In our own operation, this point was reached at about 6,000 loans. After careful consideration, we installed a system with great potentialities which could have been set up originally at nominal cost.

The change made is primarily concerned with cashiering. I won't discuss the actual accounting features as to the preparation and remittances of collections to investors. This feature of mortgage servicing has been the subject of many previous articles.

The system we employed involves the use of servicing agent loan numbers, which enable cashier records to be filed numerically. We all know that numerical filing is easier than alphabetical, but the problem is how to train mortgagors to use their loan numbers.

In the case of mail payments, special return envelopes are provided. They are self-sealing and the applicable portion has been utilized for advertising media. They are designed with a flap almost as large as the pocket. This flap is perforated with our loan number in such a position that when sealed it can be easily read against a solid, black blockout on the reverse side of the pocket. As mail payments are received, they are sorted into numerical order. The envelopes are then opened and, as the cashier card is pulled, the check is extracted. For verification, the name can be compared with the signature on the check or the return address. A few won't use their envelopes, but we maintain a cross-reference between names and loan numbers for identification. After dates and amounts paid have been entered, the checks and payment cards are conveyed to the clearing house clerk.

To illustrate, in the envelope we are now using, the message on the inside flap reads: "There's always good fishing when you use the right bait! Prompt payment means good credit."

How are payments handled that are made over the counter? In our letter of instruction sent to all mortgagors, we mentioned that since our records were now filed in numerical order, it would be necessary to know their loan numbers. In addition, as each mortgagor came to the window, he was handed a calling card to be retained in his wallet or pocketbook. It designates our name and states: "My Loan Number is . . . . ." We have been surprised at the number of people who came into the office knowing their loan numbers during the first month this system was in operation. For the few who can't remember, we again utilize our cross-reference file. All in all, numerical filing certainly has not created the problem that was originally anticipated.

What type receipt system is used for cash payments? At the window we have a supply of receipt forms which are about the size of a deposit slip. The mortgagor takes one of them and signs his name at the bottom, writing his loan number and the month he is paying at the top. This receipt is handed to the cashier, who pulls the payment card. The loan number is then entered on the keyboard of a National Cash Register class 41 proof machine, which prints on a locked-in tape. The cashier inserts the receipt and enters the amount of the payment. The machine simultaneously prints the amount of payment and a consecutive receipt number on the tape fol-

lowing the loan number, the amount and consecutive number on both the top and bottom of the receipt, and perforates the receipt in the middle. The top portion is given to the mortgagor as his receipt. The bottom portion is retained by us for a month or so for checking purposes; however, our actual copy of the receipt is the tape which is locked in the machine. The internal control factor is very valuable.

The Coding Arrangement

McBee Keysort cards are used for cashier records. It is difficult to explain "Keysort" to anyone who is not familiar with the method. However, the theory on which it is based is simple, involving a series of holes that appear around the outer edge of the card. By using a hand punch, the appropriate holes are notched according to a prearranged coding. It is then possible to sort extremely rapidly by use of a Keysort needle. We have selected the following coding for our cards: 1. Our own loan number; 2. Bank number, which determines the proper bank account for the payment; 3. Class, which determines the type of mortgage, interest rate and service fee; and 4. Investor's loan number.

The information on our card is cut down to the absolute minimum to save time in preparation and change. It is used strictly for internal operation.

Preposting from amortization schedules to our payment cards for a period of six years is done on a wide carriage adding machine. This operation can very easily be done by hand, but there is no control. Amortization schedules are kept in bound books filed by interest rate, then principal amount and finally by amount of constant payment.

To facilitate the sending of delinquent notices, we file our Addressograph plates in numerical order. It is then a matter only of tabbing from the delinquent cards, which are maintained in the same order. As an additional aid these plates are coded by type of mortgage and investor, making this information readily available in the event such selectivity is desired.

Each day the cashier is checked out and all cash checks, cash and cards are conveyed to the clearing house clerk, who had previously received the mailed portion. The payment cards are then combined and Keysorted into bank number order with amazing speed. The deposit breakdown is run on a shuttle carriage adding machine from the payment cards to determine the amount to be deposited in the respective trust accounts. All funds can then be deposited into one bank account and individual checks drawn according to the above breakdown.

The Cycle Completed

The next step is to send the cards to the machine operators for remittance. Each bank number group is there Keysorted by class and investor's loan number. The remittances are made and the cards are returned to the cashier, Keysorted by loan number and filed. For filing we use Shaw-Walker Wobble Block Trays properly indexed with 20, 40, 60 and 80 guides.

The cycle has now been completed with the greatest amount of ease. The payment cards are back in the file awaiting the first of the next month. There has been no problem of deciphering illegible names on checks. The possibility of misfiling cards is almost completely eliminated. The chance of payments being deposited in the wrong account is reduced to a minimum. It is a pleasure to be assured of a smooth operation.

Throughout, you will note that we have a highly mechanized operation; however, this is not always necessary. In practically all instances the work can be done by hand, but as the volume increases the savings in time will more than offset the initial cost and maintenance of the machinery. Remember, change in procedure requires not only the cost of the new forms but also the labor for the transition.

It is difficult to determine the number of hours saved by our numerical system, but immediately upon its installation our peak periods began to level off. The endless task of sorting and filing has become incidental. It was well worth the effort.

Life Company Yields More — But So Are Taxes More

WHILE the net rate of interest earned on investments by the life companies has now been rising for more consecutive years than at any previous time since the turn of the century, and has increased one-seventh in five years, the benefit to policyholders from this improvement has been sharply reduced by the heavy inroads of taxes.

"If 1953 sees the anticipated further increase in yield," the Institute of Life Insurance says, "it would be the sixth successive year of rise in investment yield and the six-year increase would be such as to eliminate most if not all of the decline of the six or seven years prior to the upturn.

"Such a gain would normally have already been reflected in life insurance costs, but a large part of this yield improvement has been offset by rising taxes. Consequently, only a portion of the greater investment income is available to apply to policyholders' net cost of insurance."

Looking back over the past 100 years, the life insurance investment earning rate has moved through several cycles of increase and decrease. In the early 1850s, the rate was in the neighborhood of 5 per cent. For the next 25 years, the trend was generally upward, with some fairly sharp fluctuations, winding up at about 6.5 per cent in the mid-1870s. The ensuing 25 years saw a general decline, with the rate shortly after the turn of the century being about 4.5 per cent.

During the first quarter of this century, there was another upswing, with the rate of the mid-1920s being not much different from that of 75 years before. The peak of this period was in 1923, when the rate was 5.18 per cent.

After 1923, there was a decline to the 1947 low of 2.88 per cent. Since then, the rate has been rising, with 3.28 per cent reported in 1952 and a rise expected again for 1953.

For most years prior to the 1940s the net rate of interest earned was practically the same as the effective rate, but in recent years the inroads of Federal income taxes have become appreciable. Last year, for example, the earning rate of 3.28 per cent became an effective rate of 3.07 per cent after taxes. About half of the improvement in yield rate since the current upturn began has been offset by Federal income taxes alone, not taking into consideration state and local taxes.

The current rise is a reflection of both higher interest rates generally and also portfolio changes. As a matter of fact, the greater part of the improvement thus far is probably traceable to portfolio changes, as it takes a long time for the improved interest rates to be translated into over-all earning rates.

Life Insurance Tax Bill Nears $400 Million Mark

The total tax bill paid by the nation's life companies was $345,000,000 in 1952 and may reach the $400,000,000 mark in 1953.

This would bring total 1953 taxes to $250,000,000 more than those paid in any year prior to World War II.

Of last year's total, $125,000,000 was Federal income taxes; $146,000,000 was state taxes on premiums; $27,000,000 was other state and local fees, licenses and taxes; and $32,000,000 real estate taxes. In addition, Federal Social Security taxes paid by the life companies came to $15,000,000.

Life insurance funds loaned to property owners are about 8 per cent above a year ago.

In August, mortgage acquisitions of the nation's life companies were $305,000,000, negligibly changed from the $307,000,000 in August of last year, reflecting somewhat spotty midsummer conditions over the country. But for the first eight months of the year, the life company acquisitions of new mortgages in the amount of $2,854,000,000 were up $221,000,000 from the $2,633,000,000 in the like period of 1952.

Mortgage holdings of the life companies on August 31 were $22,552,000,000, some $1,900,000,000 more than a year ago.

LEGISLATIVE COMMITTEE

(Continued from page 27)

the year is likely to offer. J. W. Jones of Dallas is vice chairman and members include Robert H. Bolton, Alexandria, La.; Charles R. Dorsey, West Palm Beach; J. R. Jones, Los Angeles; Ward H. Cook, Portland; Franklin D. Richards, Washington; Howard S. Bissell, Cleveland; William A. Marcus, San Francisco; Allyn R. Cline, Houston; Ben J. Smith, Seattle; Alvin E. Soniat, Fort Worth; John O. Chiles, Atlanta; Irvin Jacobs, Chicago; A. E. Burr, Omaha; Robert M. Morgan, Boston; George H. Dovenmuehle, Chicago and H. Duff Vilm, Indianapolis.

YOUR NO. 1 OPPORTUNITY IN 1954

— *for a dependable understanding of the mortgage business*

IT'S an accurate statement—the annual MBA-NYU Conference for Senior Officers of member firms is the best opportunity you will have in 1954 to get a good understanding of the basic underlying trends in our economy and to secure a full appreciation of what is occurring business-wise. It is MBA's annual offering in higher education, the event that is limited in attendance to permit you to explore with a small group, under the most favorable circumstances, what is happening beneath the surface events of every-day so that you will be better equipped to understand your own business problems on an every-day basis.

It's January 26-28, 1954 in New York and remember that only a certain number can be accepted which means that you should act promptly to reserve your place in the Conference group.

The theme of this year's Conference is *Mortgage Banking in a Period of Economic Re-adjustment* and the meetings are broken down into five general sessions:

First session: Tuesday, January 26, 6:30 p.m. Commodore Hotel, dinner meeting. Speaker will be Edwin B. George, economist, of Dun and Bradstreet, Inc. and his subject is "The Place of Housing in the 1954 Economy." This session will be attended by not only MBA members but also by members of the New York MBA, the New Jersey MBA and such guests as registrants wish to invite.

Second session: Wednesday, January 27, 10:00 a.m. Lassman Hall, School of Commerce, New York University, Washington Square. Speakers will include Dr. G. Rowland Collins, dean of the Graduate School of Business Administration, whose subject is "The Business Cycle"; and Dr. Solomon Fabricant, professor of economics at the School speaking on "Prices, Values, and Building Costs."

Third session: Luncheon at One Fifth Avenue Hotel. Speaker: Roy Wenzlick and his subject, "Where Are We in the Real Estate Cycle."

Fourth session: January 27, 2:00 p.m., Lassman Hall. Speakers and their topics are Prof. Martin R. Gainsbrugh, adjunct professor of economics, New York University, "Population and Family Formation—A Factor in the Demand for Housing"; Dr. Herbert B. Dorau, professor of economics, New York University, "Supply-Demand Ratio in Housing"; Dr. Robinson Newcomb, economist, "Financing the Rehabilitation and Modernization of Housing."

Fifth session: Thursday morning, January 28, Lassman Hall. Speakers and subjects are Dr. Jules I. Bogen, professor of finance, New York University, "The Impact of Treasury and Federal Reserve Policy"; and Dr. George T. Conklin, vice president, Guardian Life Insurance Company, "Competition Ahead for Mortgages."

Final session: Thursday, January 28, 12:30 p.m., One Fifth Avenue Hotel. Speaker will be President William A. Clarke.

Members have received the initial announcement of this event. If you want to attend and haven't made plans, write now to Dr. H. W. MacDowell, Gallatin House, 6 Washington Square North, New York 3, N. Y.

Don't overlook the other advantages of attending the MBA-NYU Conference. January is an excellent time to make any calls you have on investors. Combine the Conference with these calls and make the trip doubly worthwhile to you.

YMAC Plan

Something brand new in the way of meetings will make its appearance in the 1954 MBA schedule when the Young Men's Activities Committee (YMAC) will sponsor a one-day session Saturday, February 27, following the MBA Chicago Conference February 25-26. It replaces the Washington conferences held in January the past two years under YMAC sponsorship and will be planned and conducted entirely by the younger men. Emphasis will be on solicitation of new business, loan processing, public relations and phases of the mortgage business in which the younger men are particularly active. Subjects under review will be discussed by some of the outstanding men in the mortgage industry. It's sure to be something everyone attending the Chicago Conference will want to stay over for. A social function is planned for that night to give the younger men an opportunity to become better acquainted and meet older men in the business. A program covering the meeting will be out shortly but in the meantime better make your plans to be on hand for the Chicago Conference and bring the younger men along for it as well as for this meeting created especially for them.

W. L. Otis, Omaha, is YMAC chairman this year and Raymond K. Mason, Jacksonville, Fla., and William H. Osler, Harrisburg, are vice chairmen. Members are George C. Dickerson, Jacksonville, Fla., Walter C. McKenna, Washington, D. C., Silas O. Payne, San Francisco, Cary Whitehead, Memphis, J. M. Gilpin, Los Angeles, Byron C. Shutz and Joe Jack Merriman, Kansas City, Mo., Paul G. Reynolds, Chicago, H. Marvin Bastian, Wichita, and Philip C. Jackson, Jr., Birmingham.